

**CANTON, VAN BUREN AND SUMPTER
WATER AND SEWAGE DISPOSAL AUTHORITY**

AUDIT REPORT

**FOR THE YEAR ENDED
DECEMBER 31, 2005**

POST, SMYTHE, LUTZ & ZIEL LLP
Certified Public Accountants

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name CANTON, VAN BUREN AND SUMPTER WATER & SEWAGE DISPOSAL AUTH	County WAYNE
Audit Date 12/31/2005	Opinion Date 06/12/2006	Date Accountant Report Submitted to State: 06/28/2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) POST, SMYTHE, LUTZ & ZIEL LLP CERTIFIED PUBLIC ACCOUNTANTS			
Street Address 35110 E. MICHIGAN AVE.	City WAYNE	State MI	ZIP 48184
Accountant Signature <i>Ronald H. Traskos CPT</i> RONALD H. TRASKOS, C.P.A.		Date 06/28/2006	

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Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

June 12, 2006

Canton, Van Buren and Sumpter
Water and Sewage Disposal Authority
23480 Sumpter Road
Belleville, MI 48111

We have audited the accompanying financial statements of Canton, Van Buren and Sumpter Water and Sewage Disposal Authority, Michigan (the "Authority"), as of and for the year ended December 31, 2005, as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Authority, as of December 31, 2005, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated June 12, 2006, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of the Authority. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly stated in all material respects in relation to the financial statements taken as a whole.

Respectfully submitted,



POST, SMYTHE, LUTZ & ZIEL LLP
Certified Public Accountants
Wayne, Michigan

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
Combined Balance Sheet - All Fund Types and Account Groups
December 31, 2005
With Comparative Totals December 31, 2004

	<u>General Fund Types</u>			<u>Account Group</u>
<u>ASSETS</u>	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>General Long-Term Debt</u>
Current Assets:				
Cash and Cash Equivalents	\$ 855	\$ --	\$ 13,402	\$ --
Deposits	--	47,375	--	--
Amount to be Provided for Long-Term Debt	--	--	--	495,000
Total Assets	<u>\$ 855</u>	<u>\$ 47,375</u>	<u>\$ 13,402</u>	<u>\$ 495,000</u>
 <u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Accounts Payable	\$ --	\$ --	\$ 7,303	\$ --
Bonds Payable	--	--	--	495,000
Advances from Other Governmental Units	855	--	--	--
Deferred Revenue	--	47,375	--	--
Total Liabilities	<u>855</u>	<u>47,375</u>	<u>7,303</u>	<u>495,000</u>
Fund Balance	<u>--</u>	<u>--</u>	<u>6,099</u>	<u>--</u>
Total Liabilities and Fund Balance	<u>\$ 855</u>	<u>\$ 47,375</u>	<u>\$ 13,402</u>	<u>\$ 495,000</u>

The accompanying notes are an integral part of this statement.

Totals
(Memorandum Only)

December 31, <u>2005</u>	December 31, <u>2004</u>
\$ 14,257	\$ 14,464
47,375	48,250
495,000	530,000
<u>\$ 556,632</u>	<u>\$ 592,714</u>

\$ 7,303	\$ 7,303
495,000	530,000
855	855
47,375	48,250
<u>550,533</u>	<u>586,408</u>
<u>6,099</u>	<u>6,306</u>
<u>\$ 556,632</u>	<u>\$ 592,714</u>

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
Combined Statement of Revenue, Expenditures and Changes in Fund Balance
All Governmental Types
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

	Governmental Fund Types		
	<u>General</u>	<u>Debt Service</u>	<u>Capital Projects</u>
Revenue:			
Intergovernmental	\$ --	\$ 60,625	\$ --
Interest on Investments	--	--	32
Total Revenue	<u>--</u>	<u>60,625</u>	<u>32</u>
Expenditures:			
Other	--	--	239
Debt Service:			
Bond Principal	--	35,000	--
Bond Interest and Fees	--	25,625	--
Total Expenditures	<u>--</u>	<u>60,625</u>	<u>239</u>
Excess Revenue Over Expenditures	--	--	(207)
Fund Balance, Beginning of Year	<u>--</u>	<u>--</u>	<u>6,306</u>
Fund Balance, End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ 6,099</u>

The accompanying notes are an integral part of this statement.

Totals
(Memorandum Only)

December 31, <u>2005</u>	December 31, <u>2004</u>
\$ 60,625	\$ 345,213
32	20
60,657	345,233
239	349
35,000	310,000
25,625	35,213
60,864	345,562
(207)	(329)
6,306	6,635
\$ 6,099	\$ 6,306

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
Combined Statement of Revenue, Expenditures and Changes in Fund Balance
Budget and Actual
Debt Service and Capital Projects Funds
For the Year Ended December 31, 2005

	Debt Service Fund		
	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
Revenue:			
Intergovernmental	\$ 60,625	\$ 60,625	\$ --
Interest on Investments	--	--	--
Total Revenue	<u>60,625</u>	<u>60,625</u>	<u>--</u>
Expenditures:			
Other	--	--	--
Debt Service:			
Bond Principal	35,000	35,000	--
Bond Interest and Fees	<u>25,625</u>	<u>25,625</u>	<u>--</u>
Total Expenditures	<u>60,625</u>	<u>60,625</u>	<u>--</u>
Excess Revenue Over Expenditures	--	--	--
Fund Balance, Beginning of Year	<u>--</u>	<u>--</u>	<u>--</u>
Fund Balance, End of Year	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

Capital Projects Fund			Totals (Memorandum Only)		
<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)	<u>Budget</u>	<u>Actual</u>	Variance Favorable/ (Unfavorable)
\$ --	\$ --	\$ --	\$ 60,625	\$ 60,625	\$ --
--	32	32	--	32	32
--	32	32	60,625	60,657	32
--	239	(239)	--	239	(239)
--	--	--	35,000	35,000	--
--	--	--	25,625	25,625	--
--	239	(239)	60,625	60,864	(239)
--	(207)	(207)	--	(207)	(207)
6,306	6,306	--	6,306	6,306	--
<u>\$ 6,306</u>	<u>\$ 6,099</u>	<u>\$ (207)</u>	<u>\$ 6,306</u>	<u>\$ 6,099</u>	<u>\$ (207)</u>

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
Notes to Financial Statements
December 31, 2005
(Page 1 of 2)

1. Significant Accounting Policies

Reporting Entity

The Canton, Van Buren and Sumpter Water and Sewage Disposal Authority (the "Authority") was organized on June 11, 1974, for the purpose of acquiring, owning, improving and enlarging a water system or sewage disposal system in accordance with Act No. 233, Michigan Public Acts of 1955, as amended.

Basis of Presentation

The accounts of the Authority are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, in the financial statements in this report, into various fund types and fund categories as follows:

Governmental Funds

General Fund - The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Funds - The Debt Service Funds are used to account for the accumulation of resources and payment of general obligation bond principal and interest from governmental resources.

Account Group

General Long-Term Debt Account Group - This account group presents the balance of general obligation long-term debt.

Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

Governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available to finance expenditures of the fiscal period. Expenditures are recognized in the accounting period in which the related liability is incurred, if measurable, except for unmatured interest on general long-term debt.

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
Notes to Financial Statements
December 31, 2005
(Page 2 of 2)

2. Deposits and Investments

Under State law, the Authority is permitted to invest in deposits with Michigan commercial banks, savings and loans and credit unions, obligations of the U.S. Treasury and commercial paper with certain investment grades.

At December 31, 2005, the carrying amount and bank balance of all Authority deposits was \$14,257. The entire bank balance throughout the year was covered by Federal depository insurance.

3. Long-Term Contract Receivable

Sumpter Section: On August 31, 1978, and in May 1985 contracts were entered into between the Authority and the Township of Sumpter for the same purpose described above for a period not exceeding forty years. The Township agreed to make contract payments to the Authority equal to the total principal, interest and fees on bonds.

4. Long-Term Bonds Payable

Following is a summary of bond principal maturities and interest requirements:

<u>Year Ending December 31,</u>	<u>Bond Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 35,000	\$ 23,875	\$ 58,875
2007	35,000	22,125	57,125
2008	35,000	20,375	55,375
2009	35,000	18,625	53,625
2010	40,000	16,875	56,875
2011 (and thereafter)	<u>315,000</u>	<u>64,000</u>	<u>379,000</u>
Total	<u>\$ 495,000</u>	<u>\$ 165,875</u>	<u>\$ 660,875</u>

Change in Long-Term Liabilities

During the fiscal year ended December 31, 2005, the following change occurred in liabilities reported in the general long-term debt account group:

	<u>Balance at January 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at December 31, 2005</u>
General Obligation Bonds	<u>\$ 530,000</u>	<u>\$ --</u>	<u>\$ 35,000</u>	<u>\$ 495,000</u>

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
General Fund
Comparative Balance Sheet
December 31, 2005 and 2004

	December 31, <u>2005</u>	December 31, <u>2004</u>
<u>ASSETS</u>		
Cash - Checking	<u>\$ 855</u>	<u>\$ 855</u>
<u>LIABILITIES</u>		
Advance from Canton Township	\$ 285	\$ 285
Advance from Charter Township of Van Buren	285	285
Advance from Sumpter Township	<u>285</u>	<u>285</u>
Total Liabilities	<u>\$ 855</u>	<u>\$ 855</u>

The accompanying notes are an integral part of this statement.

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
Debt Service Funds
Combining Balance Sheet
December 31, 2005
With Comparative Totals December 31, 2004

Sumpter
Section

ASSETS

Deposits with Paying Agent

\$ 47,375

LIABILITIES AND FUND BALANCE

Liabilities:

Deferred Revenue

\$ 47,375

The accompanying notes are an integral part of this statement.

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
Debt Service Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

	<u>Sumpter Section</u>
Revenue:	
Intergovernmental Revenue	\$ <u>60,625</u>
Expenditures:	
Bond Principal	35,000
Bond Interest	<u>25,625</u>
Total Expenditures	<u>60,625</u>
Excess of Revenue Over Expenditures	--
Fund Balance, Beginning of Year	<u>--</u>
Fund Balance, End of Year	<u><u>\$ --</u></u>

The accompanying notes are an integral part of this statement.

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
 Capital Projects Funds
 Combining Balance Sheet
 December 31, 2005
With Comparative Totals December 31, 2004

	<u>Van Buren Section</u>	<u>Sumpter Section</u>
<u>ASSETS</u>		
Cash - Checking	\$ --	\$ 6,245
Cash - Savings	<u>7,157</u>	<u>--</u>
Total Assets	<u>\$ 7,157</u>	<u>\$ 6,245</u>
<u>LIABILITIES AND FUND BALANCE</u>		
Liabilities:		
Accounts Payable	\$ --	\$ 7,303
Fund Balance	<u>7,125</u>	<u>(819)</u>
Total Liabilities and Fund Balance	<u>\$ 7,125</u>	<u>\$ 6,484</u>

The accompanying notes are an integral part of this statement.

Totals (Memorandum Only)	
December 31, <u>2005</u>	December 31, <u>2004</u>
\$ 6,245	\$ 6,484
<u>7,157</u>	<u>7,125</u>
<u>\$ 13,402</u>	<u>\$ 13,609</u>

\$ 7,303	\$ 7,303
<u>6,306</u>	<u>6,635</u>
<u>\$ 13,609</u>	<u>\$ 13,938</u>

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
 Capital Projects Funds
 Combining Statement of Revenues, Expenditures and Changes in Fund Balance
 For the Year Ended December 31, 2005
With Comparative Totals for the Year Ended December 31, 2004

	Van Buren <u>Section</u>	Sumpter <u>Section</u>	Totals (Memorandum Only)	
			December 31, <u>2005</u>	December 31, <u>2004</u>
Revenue:				
Interest on Investments	\$ 32	\$ --	\$ 32	\$ 20
Expenditures:				
Bank Service Charges	<u>--</u>	<u>239</u>	<u>239</u>	<u>349</u>
Excess of Expenditures over Revenue	32	(239)	(207)	(329)
Fund Balance, Beginning of Year	<u>7,125</u>	<u>(819)</u>	<u>6,306</u>	<u>6,635</u>
Fund Balance, End of Year	<u>\$ 7,157</u>	<u>\$ (1,058)</u>	<u>\$ 6,099</u>	<u>\$ 6,306</u>

The accompanying notes are an integral part of this statement.

**OTHER SUPPLEMENTARY
INFORMATION**

Canton, Van Buren and Sumpter Water and Sewage Disposal Authority
Schedule of Bonds Payable
Sumpter Section
December 31, 2005

\$1,000,000 Water Supply Facilities Phase IV (Sumpter Section)
Bonds, Dated December 8, 1978

<u>Year Ended</u>	<u>Bond Numbers</u>	<u>Interest Rate Per Annum</u>	<u>Bonds Payable</u>	<u>Interest Payable</u>	<u>Total Bonds and Interest Payable</u>
2006	102-108	5.00%	35,000	23,875	58,875
2007	109-115	5.00%	35,000	22,125	57,125
2008	116-122	5.00%	35,000	20,375	55,375
2009	123-129	5.00%	35,000	18,625	53,625
2010	130-136	5.00%	35,000	16,875	51,875
2011	137-144	5.00%	40,000	15,000	55,000
2012	145-152	5.00%	40,000	13,000	53,000
2013	153-160	5.00%	40,000	11,000	51,000
2014	161-168	5.00%	40,000	9,000	49,000
2015	169-176	5.00%	40,000	7,000	47,000
2016	177-184	5.00%	40,000	5,000	45,000
2017	185-192	5.00%	40,000	3,000	43,000
2018	193-200	5.00%	40,000	1,000	41,000
			<u>\$ 495,000</u>	<u>\$ 165,875</u>	<u>\$ 660,875</u>

Note: Bond principal matures January 1, of each year indicated above. Interest is payable semi-annually on January 1 and July 1. Bonds maturing in the years 1991 to 2018, inclusive, will be subject to redemption prior to maturity in inverse numerical order, at the option of the Authority on any interest payment date on or after January 1, 1990 at par and accrued interest to the date fixed for redemption.

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

June 12, 2006

Canton, Van Buren and Sumpter
Water and Sewage Disposal Authority
23480 Sumpter Road
Belleville, MI 48111

We have audited the accompanying financial statements Canton, Van Buren and Sumpter Water and Sewage Disposal Authority, Michigan (the "Authority"), as of and for the year ended December 31, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

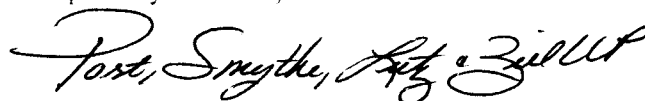
In planning and performing our audit, we considered the Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management and the Authority Board and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



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Certified Public Accountants
Wayne, Michigan

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Brian V. Kluger, C.P.A.

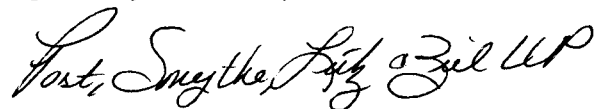
June 12, 2006

Canton, Van Buren and Sumpter
Water and Sewage Disposal Authority
23480 Sumpter Road
Belleville, MI 48111

To the Members of the Board:

We have completed the audit and report of the financial condition of the Canton, Van Buren and Sumpter Water and Sewage Disposal Authority for the year ended December 31, 2005. We have no comments and recommendations as a result of our audit work.

Respectfully submitted,



POST, SMYTHE, LUTZ & ZIEL LLP
Certified Public Accountants